



2019 Merchant Gift Card E-Commerce Evaluation



Table of Contents

Introduction **3**

Findings and Results **5**

Gift Card Trends **10**

Key Takeaways for Merchants **22**

Conclusion **24**

Appendix A: Ranking of Retailers by Overall Score..... **25**

Appendix B: Brand Scores by Vertical **31**

Appendix C: Methodology Addendum **33**

New in 2019..... **34**

About NAPCO Research **36**

About Blackhawk Network **37**

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I. INTRODUCTION

Consumer demand for gift cards — both physical and digital — is at a record high level, reinforcing the value of having an optimized gift card program. According to the National Retail Federation, consumers planned to purchase three or four gift cards on average at an average amount of \$47 per card, for a total of \$27.5 billion during the 2019 holiday season. That bullish forecast proved to be accurate, as 2019 holiday gift card sales growth doubled overall retail sales growth estimates (7 percent vs. 3.4 percent), according to the MasterCard SpendingPulse report.

However, the sale of gift cards is not and should not be limited to the end-of-year holiday shopping season. There's a far bigger market opportunity to capitalize on. Consider that the total value of the global gift card market is expected to reach \$506 billion by 2025, with a CAGR of 6 percent from \$318 billion in 2017, [according to Persistence Market Research](#). Retailers and brands must find ways to capture their share of that demand, both during the busy holiday shopping season as well as throughout the rest of the year.

That means having a gift card program that caters to the cross-channel shopping behaviors of today's consumers. From online to in-store to mobile (website and app), retailers need to not only make gift cards available for purchase in these channels, but also offer a customer experience within each of them that meets consumers' lofty standards.

To help retailers get accurate insights into the performance of their gift card programs, NAPCO Research undertook a comprehensive review of the state of merchant gift card e-commerce offerings. This is NAPCO Research's third annual Merchant Gift Card E-Commerce Evaluation, offering merchants the opportunity to compare results to last year's to see the progress (or lack thereof) made in e-commerce sales channels, as well as identify areas for potential growth.

In addition to gaining a 360-degree view of their own e-commerce gift card programs, this report provides retailers with benchmark data to evaluate how their programs measure up against other brands (including competitors), both within their own product categories as well as across the greater industry at large. With that information in hand, brands can look to double down on their program's strengths, improve upon its weaknesses, and identify potential areas for improvement and growth.

The cross-platform assessment evaluated 150 brands — 50 more than the 2018 research, featuring new categories such as digital services and gaming — across 108 unique criteria, representing an 8 percent increase in criteria assessed in 2019 vs. 2018. Key components evaluated included the online consumer purchase and recipient experience of both digital and physical cards (e.g., payment and delivery options, ease of discoverability); business-to-business (B-to-B) e-commerce offerings; personalization options; the use of gift cards for marketing initiatives; innovation; and the post-purchase experience. In addition to these criteria, which were included in last year's evaluation, we introduced new criteria in the 2019 research, including an expanded assessment of the use of gift cards as a promotional tool as well as customer service response time on social media and email.

METHODOLOGY

This assessment evaluates criteria that are impacted by a range of stakeholders across merchant organizations (e.g., gift card, e-commerce, marketing, finance/accounting, etc.), as well as gift card platform providers and fulfillment partners. It provides a holistic view into the merchant gift card e-commerce market and builds upon the previous two years research.

The assessment captured publicly accessible information about merchants' consumer and B-to-B gift card e-commerce programs. Criteria were designed to identify expected and emerging capabilities for merchants' digital and physical gift card offerings to consumers through desktop, mobile website and mobile app. The study also evaluated the recipient experience for both digital and physical cards, including redemption options.

The research was conducted from July 2019 through November 2019. All steps possible were taken to ensure gift card purchases typified actual consumer transactions. Our analysts went through the research and buying experience, purchasing both physical and digital gift cards from each of the 150 retailers evaluated. We examined the purchase experience every step of the way so as to experience it from the eyes of both the buyer and recipient, including the use of real email and physical addresses. This was done to replicate the actual purchase experience and minimize the risk of transactions being declined as potentially fraudulent.

In assessing the full gift card experience, from discovery to delivery, we scored merchants on how they promote the online sale of gift cards to both consumers and B-to-B buyers. Merchants were measured against more than 100 unique criteria, covering the specific elements of the purchase and recipient process. These are grouped into the categories listed below:

- Discoverability/Awareness
- Gift Card Offering Flexibility
- Checkout/Post-Purchase
- Recipient Experience
- Purchase With Credit Card Rewards Points
- B-to-B Program
- Product E-Gifting
- Promotions
- Customer Service
- Innovation

Please see Appendix C for more details regarding methodology.

MERCHANTS WE EVALUATED

When selecting this year's merchants to evaluate, we included as many giftable product verticals as possible. Our final list included 150 top merchants, determined by industry rankings, from the following categories (see Appendix A for the full list of retailers evaluated):

- Airlines
- Apparel
- Department Store
- Digital Services
- Electronics
- Entertainment
- Gaming
- General Merchandise
- Grocery/Pharmacy
- Health & Beauty
- Home Furnishings
- Home Improvement
- Hotels
- Restaurant - Casual
- Restaurant - Quick Serve
- Specialty
- Sporting

New to this year's assessment are digital services (online or app-based businesses that offer consumer services, such as Uber, GrubHub) and gaming.

II. FINDINGS AND RESULTS

For the third consecutive year that this study has been conducted, Amazon.com is at the top of the overall rankings. Amazon took the top spot by earning 76 percent of the total possible points across all criteria. Despite Amazon's third straight top finish, its performance actually declined slightly year-over-year (76 percent in 2019 vs. 79 percent in 2018). Rounding out the top five were Williams-Sonoma (74 percent), Cinemark (73 percent), AMC (72 percent), and a two-way tie for fifth place between L.L.Bean and Sephora (both 71 percent). Amazon and Sephora racked up their third straight appearance in the top five, while Williams-Sonoma appears in the top five for the second consecutive year. Those brands have truly shown a commitment to optimize their gift card programs.

Amazon finished in the top five in three of the 10 individual criteria categories, and above the average score in six of the 10 categories. However, even for top finisher Amazon, there's room for improvement. The general merchandise retailer captured sole possession of first place in just one of the 10 individual criteria categories (gift card offering flexibility). In fact, the gap between the leaders and laggards in this year's assessment was narrowed. This indicates that more merchants are realizing the value a strong gift card program can bring to their organization, and are taking steps — e.g., investments in technology, staff, marketing budgets — to capitalize on it.

Chart 1 Top 10 Overall

MERCHANT	SCORE
Amazon.com	76%
Williams-Sonoma	74%
Cinemark	73%
AMC	72%
L.L.Bean	71%
Sephora	71%
Barnes & Noble	68%
Bed Bath & Beyond	68%
Atom Tickets	68%
The Home Depot	67%

**See the Appendix for a full ranking, including top performers by vertical*

Chart 2

Ranking of Retailers by Overall Score



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
1	Amazon	76%	96%	94%	66%	63%	50%	100%	0%	0%	0%
2	Williams-Sonoma	74%	100%	57%	78%	79%	50%	100%	100%	21%	100%
3	Cinemark	73%	74%	77%	78%	70%	40%	72%	100%	43%	0%
4	AMC	72%	83%	57%	89%	80%	50%	100%	0%	50%	50%
5	L.L.Bean	71%	84%	60%	97%	65%	50%	100%	0%	67%	75%
5	LVMH (Sephora)	71%	90%	69%	51%	79%	90%	100%	0%	14%	50%
7	Atom Tickets	68%	58%	59%	90%	78%	20%	100%	0%	64%	13%
7	Barnes & Noble	68%	89%	59%	91%	60%	60%	100%	0%	25%	25%
7	Bed Bath & Beyond	68%	100%	55%	68%	70%	60%	100%	0%	14%	63%
10	The Home Depot	67%	92%	47%	87%	75%	50%	100%	50%	0%	50%

*See the Appendix for a full ranking, including top performers by vertical

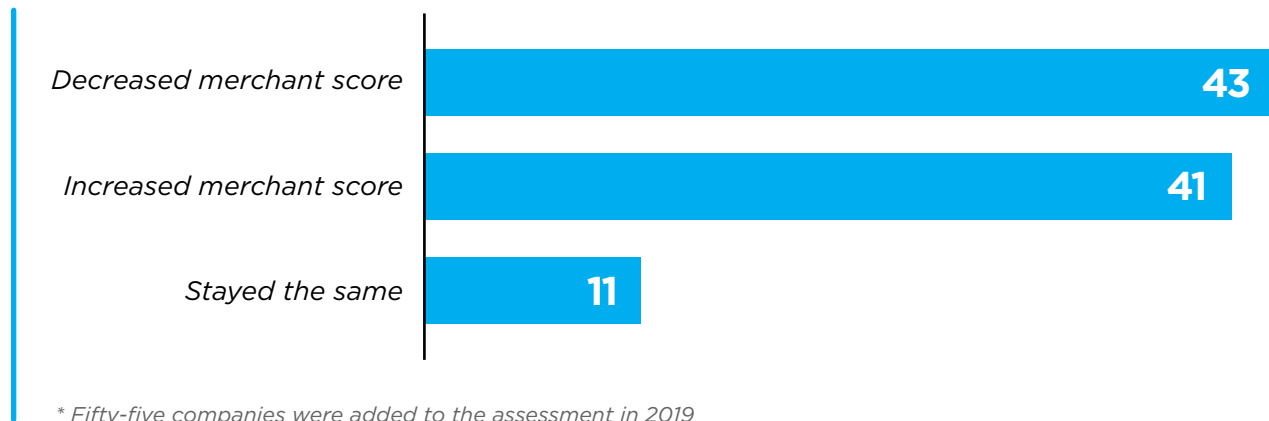
Unlike last year, when the average score across all merchants evaluated ticked up slightly year-over-year (44 percent vs. 42 percent), in 2019 we saw the average score for the 150 retailers evaluated drop to 41 percent. However, there’s an important distinction to be made here: there were 55 new brands evaluated in this year’s report. The average score for those 55 brands was 36 percent, which dragged down the overall score for all merchants evaluated. In fact, for the 95 brands that were also in the 2018 study, the average score was 44 percent, the same as the overall average in 2018. Therefore, there’s not as much slippage in performance as the overall average would suggest.

The data reveals that there are many areas in which brands’ gift card programs can be improved, such as the use of gift cards as a promotional tool; gift card offering flexibility; customer service; and B-to-B programs.

The merchants that recorded the biggest improvements year-over-year include:

- L.L.Bean, which posted a 23 percent increase in percentage of total points captured;
- The Honest Co. (15 percent);
- Bass Pro Shops (13 percent);
- Target (12 percent); and
- Outback Steakhouse (11 percent).

However, those gains are offset by the fact that more merchants saw their overall score decrease year-over-year (43 in total) than those that increased their score year-over-year (41 in total). (Eleven brands' scores stayed the same year-over-year, while 55 new companies were added to the assessment for the first time in 2019.)



The good news for merchants is that they're leaving significant money on the table when considering the overall size of the gift card market — forecast to be nearly \$550 billion by 2024, according to a [report from WiseGuy Research Consultants](#). Even small tweaks to improve the online gift card purchase and recipient experience can significantly boost a company's bottom line.

A GIFT (CARD) FOR THE HOME

When analyzing the results by product category, there's a new leader at the top of the rankings. Home furnishings merchants had the highest average score (53 percent), followed by department stores (51 percent), and sporting goods brands (50 percent). Department stores were the top-performing product category in our 2018 report. Conversely, the categories with the lowest average scores were gaming (18 percent), grocery/pharmacy (25 percent) and hotels (28 percent).

The increasing shift to digital within the gaming market is forcing traditional brick-and-mortar retailers such as GameStop to re-evaluate their businesses. That re-assessment should extend to their gift card programs as well. [According to Statista](#), the global media and entertainment market worldwide, of which gaming is an integral segment, is projected to grow from an estimated \$1.72 trillion in 2015 to \$2.2 trillion by 2021. An optimized gift card program could go a long way to capturing market share in the burgeoning category.

YOY IMPROVEMENTS SEEN IN DISCOVERABILITY, SELF-PURCHASING, FRAUD PROTECTION

There were several positives to emerge from the 2019 merchant gift card e-commerce evaluation data, including improved performance in the following areas:

- **Discoverability:** The first step in selling more gift cards online — or in-store, for that matter — is making them easy for consumers to find. And merchants are doing a better job at this. Overall, the average score for discoverability was 57 percent of the total available points earned, up from 55 percent in 2018. Improved performance in discoverability on merchants' websites, both desktop and mobile, is helping to compensate for their struggles in this area within their mobile apps. Retailers need to be doing more to help consumers purchase gift cards within their apps. At minimum, they should be linking back to their mobile site so the user can purchase a gift card.
- **Self-Use:** An increasing number of consumers are purchasing gift cards for their own use. According to Blackhawk Network's Consumer Gift Cards State of the Union report, which was released in March 2019, 33 percent of consumers have purchased gift cards for self-use. Furthermore, consumers are spending more, on average, for purchases of self-use gift cards (\$51.93) than they are for gifting (\$47.91). Therefore, it's important that merchants promote this offering to consumers. Thirty-one percent of the merchants evaluated provide a simplified purchase flow for people buying gift cards for themselves, up from 25 percent in 2018.
- **Fraud Protection:** Gift cards have become one of the most popular targets for online fraudsters. Consider the following statistics from the Mercator Advisory Group's Digital Gift Cards US Market report, which was released in January 2020:
 - + Gift card fraud is between 1 percent and 4 percent of revenue. Fraud is prevalent for both physical and digital gift cards, but is higher for digital gift cards.
 - + Digital gift card fraud is a \$950 million loss to the industry annually.

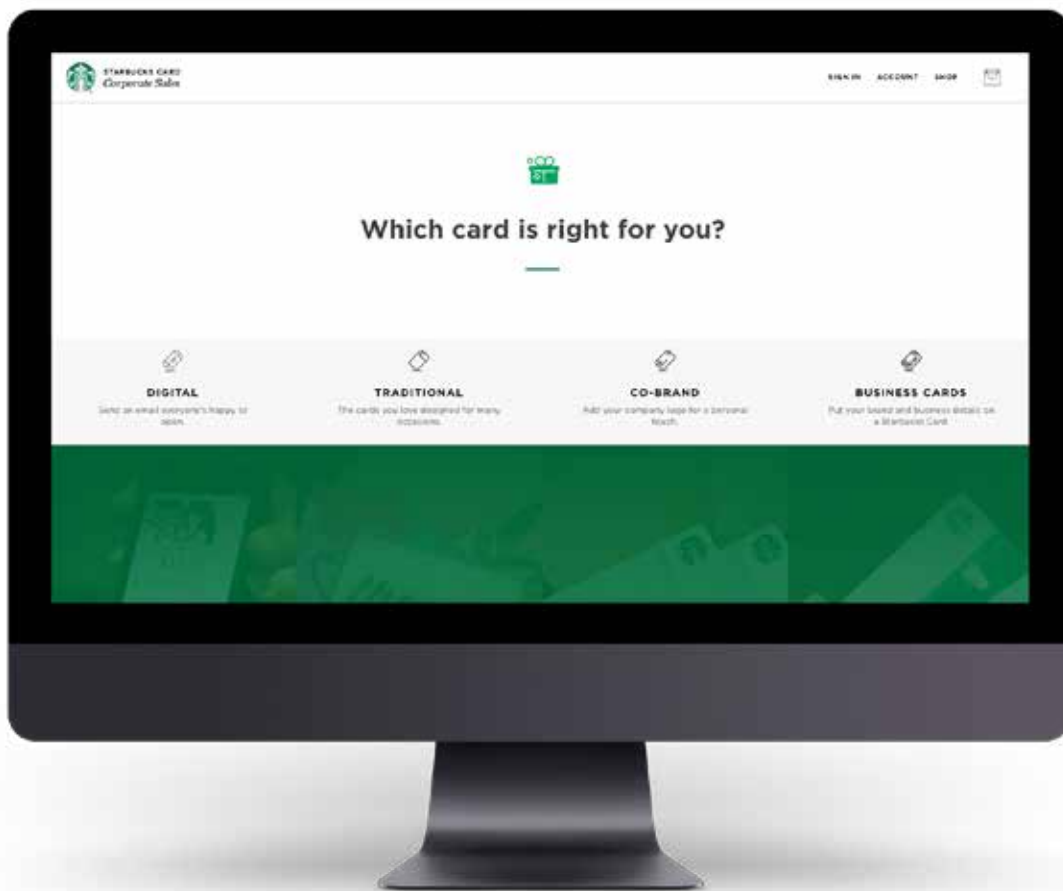
To combat this threat and protect their businesses from lost revenues, merchants have been proactive in putting fraud protection measures in place. However, have merchants' fraud protection efforts become too stringent? Twenty-seven percent of the merchants in the study declined at least one legitimate card purchase transaction — i.e., a false positive. While this does represent an improvement from the 2018 analysis, when 44 percent of merchants had at least one false positive, it still is a problem that brands must address. Flagging legitimate orders as fraudulent negatively impacts merchants in multiple ways: one, the short-term revenue loss from cancelling a legitimate transaction and, two, the loss in customer lifetime value that occurs by essentially driving a customer away from your brand. Merchants must find the right balance between protecting themselves against fraud while at the same time reducing their number of false positives.

On the other end of the spectrum, there were criteria categories in which the merchants evaluated saw performance decline. For example, brands did less to capitalize on the B-to-B gift card opportunity in 2019. The overall average score in this category, 39 percent, represented a 10 percent drop from the 2018 overall average score of 49 percent. However, this number is lower due to the performance of the 55 new merchants evaluated in the 2019 report, which earned just 22 percent of the total points available for the B-to-B category.

This is important because the B-to-B segment represents more than 23 percent of the \$125.4 billion overall U.S. closed loop gift card market, according to the 16th annual U.S. Closed-Loop Prepaid Cards Market Forecast, 2018-2022.

Restaurant merchants scored the highest in promoting bulk sale of gift cards for employee or nonprofit incentive and reward programs. For inspiration on a B-to-B gift card program to emulate, check out Starbucks. The coffee chain took the top spot in this criteria category. In the example below from Starbucks' B-to-B gift card page (Figure 1), the coffee chain lists various ways that companies can use gift cards as a tool to show appreciation for their customers and clients.

Figure 1



In addition, merchants' performance for gift card flexibility offering ticked slightly down in 2019 (34 percent of total available points captured vs. 35 percent in 2018). It's important to make the e-commerce gift card buying experience as convenient as possible for consumers across channels and throughout the purchase journey. For example, offering the ability for customers to personalize their gift cards with messages for recipients; enabling self-use purchasing; giving the option to designate delivery timelines; among other convenience offerings.

III. 2019 GIFT CARD TRENDS

Here are some of the key themes that emerged from this year's evaluation of 150 merchants' e-commerce gift card programs, including real-world examples:

DESKTOP EXPERIENCE REMAINS BEST

For the third consecutive year, the average score earned for merchants' desktop experience topped that of both mobile channels — mobile web, mobile app. Merchants earned, on average, 49 percent of the total points available for the gift card e-commerce evaluation of their desktop websites, compared to 42 percent for mobile web and 29 percent for mobile apps.

The primary online customer journey for purchasing gift cards has traditionally been desktop purchases of digital and physical gift cards, with digital cards then accessed by recipients via desktop or mobile. Therefore, it makes sense that merchants have performed best in this channel, as they're most familiar with it. However, with more shopping taking place on mobile devices — 53 percent of traffic to online stores comes via mobile devices, according to [Wolfgang Digital's KPI Report 2019](#) — brands must work to get the mobile gift card purchase experience at a level equal to, if not better, than what consumers get on desktop.

This is particularly true as merchants seek to acquire much-sought-after younger consumer demographics, who are more inclined to shop on their mobile devices. According to research from Blackhawk Network, Gen Z (42 percent) and millennial (46 percent) consumers are far more likely to make purchases on their mobile phones at least monthly compared to Gen X (29 percent) and baby boomers (13 percent). In addition, Gen Z and millennial shoppers purchase digital gift cards more frequently than their older counterparts: 41 percent of Gen Z and 39 percent of millennial shoppers purchase a digital gift card at least every three months vs. 27 percent for the rest of the population. Therefore, an optimized e-commerce gift card purchase experience on mobile (website and app) can yield not only increased revenue, but also attract new generations of customers.

MERCHANTS SHOULD LOOK TO INCREASE USE OF GIFT CARD PROMOTIONS

In an effort to achieve a variety of business objectives — e.g., increasing email and/or loyalty program sign-ups, app downloads, social media follows, as well as sell more gift cards — merchants would be wise to consider the use of gift cards as a promotional tool. In 2018, 50 percent of the 100 brands evaluated for the study used gift cards as a promotional tool and/or used them as incentives in e-commerce marketing programs. In 2019, 40 percent of the 150 merchants evaluated were credited with points for the use of gift cards as a promotional tool. However, when looking more closely at the data, for the 95 brands that were analyzed in both 2018 and 2019, 43 percent received points for their use of gift cards as a promotional tool. So while better, merchants are clearly lacking in this area.

One brand that has done a good job with the use of gift cards as a promotional marketing tool is Delta Air Lines. In the example to the right (Figure 2), the airline prompts the purchase of its own gift cards with the incentive of getting a \$25 gift card to Best Buy for free.

As part of our evaluation process for the 2019 report, data was collected on merchants' gift card promotions on three separate occasions: late August, mid-October, and Black Friday weekend. The first two collection periods saw minimal promotion of gift cards by brands; however, there was a significant uptick in activity during the final collection period at the start of the holiday shopping season.

This data tells us that merchants are missing an opportunity to use promotions as a marketing tool to drive year-round sales of gift cards, not just during the Q4 holiday shopping season (albeit when gift cards are the most popular). An example of a brand that did a good job of leveraging gift card promotions outside of the Q4 holiday shopping season is quick-serve restaurant chain Subway (Figure 3), which tied its brand to the massive back-to-school shopping season as a way to sell more gift cards.

Figure 2

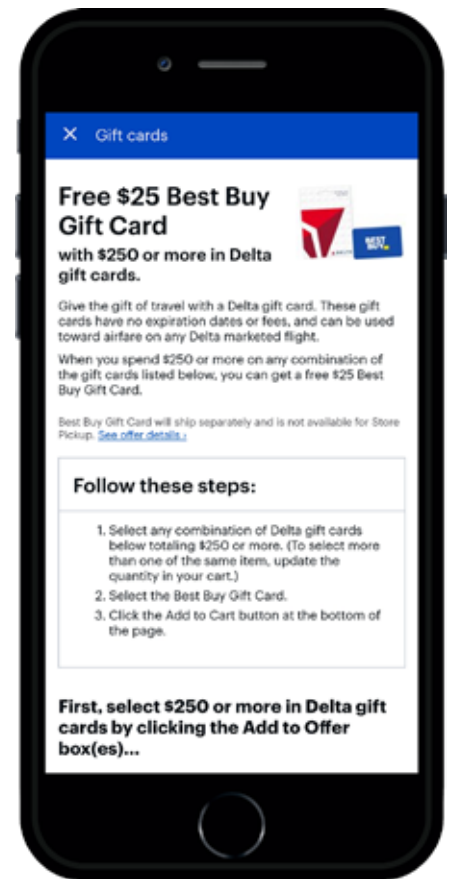


Figure 3



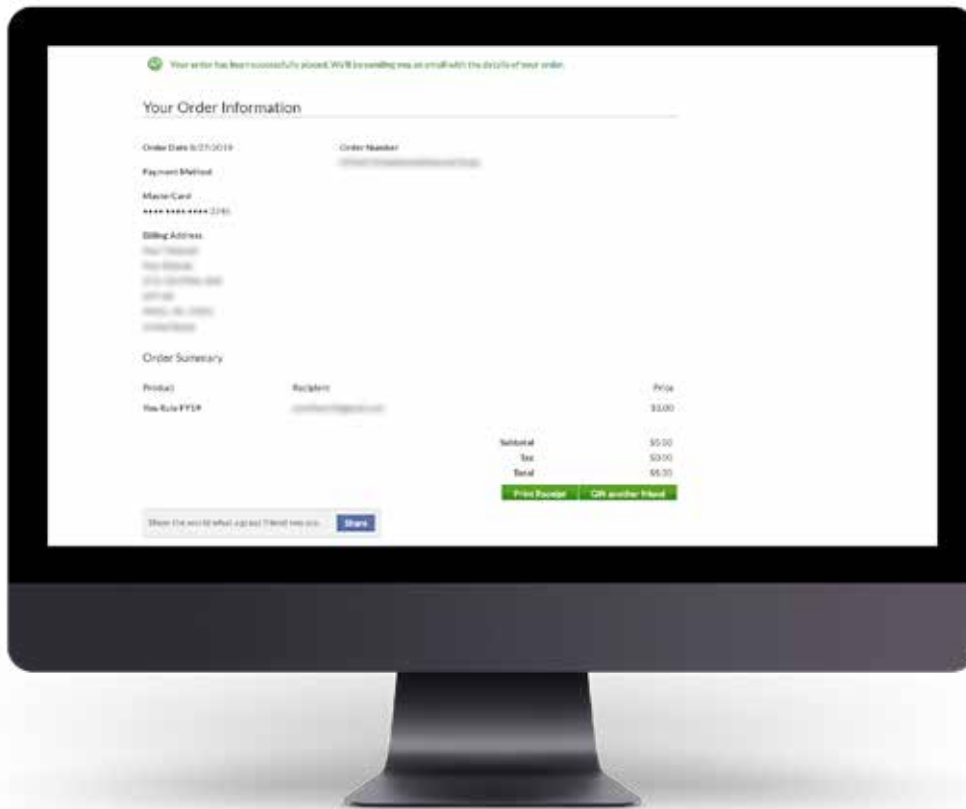
Merchants should look to find holidays and/or shopping events (e.g., Amazon Prime Day) that align with their brand outside of the Q4 holiday season, then leverage that increased consumer interest to promote their gift card offerings. This could vary by vertical and filter down to the individual merchant level. Get creative — align your gift card promotions and marketing campaigns to holidays and times of year that make the most sense for your brand and its customers. For example, airlines could tap into peak travel periods such as spring break and summer vacation season, while apparel brands could leverage launches of new product lines during different seasons of the year to push gift card sales through unique promotions.

SOCIAL MEDIA AS A MARKETING CHANNEL

Brands should look to their social media channels, where engaged consumers are following them, to create awareness and potential demand for their gift card programs. The potential benefit of doing so is twofold: one, you're reaching a targeted audience that has chosen to engage with your brand (and hopefully more likely to make gift card purchases from it) and, two, the social platform provides a forum for your brand followers to share information with their own social networks about your gift card offerings.

Here's an example of Starbucks giving gift card customers the ability to share their purchase on Facebook via a button on the coffee brand's order confirmation page (Figure 4). This tactic helps to create awareness for Starbucks' gift card program and pushes more consumers to interact with the brand.

Figure 4



SHOW UP IN SEARCH

In addition to social media, merchants need to be cognizant of the positive impact that organic search could have on their gift card program. The brands that are consistently showing up at the top of Google's search engine rankings stand a better chance of selling more gift cards. Consider the opportunity at hand: [93 percent of all online experiences begin with a search engine, and 95 percent of all searchers click on one of the links in the first search engine result page](#) (SERP). Here's a good example for the search phrase "movie gift cards."

Figure 5

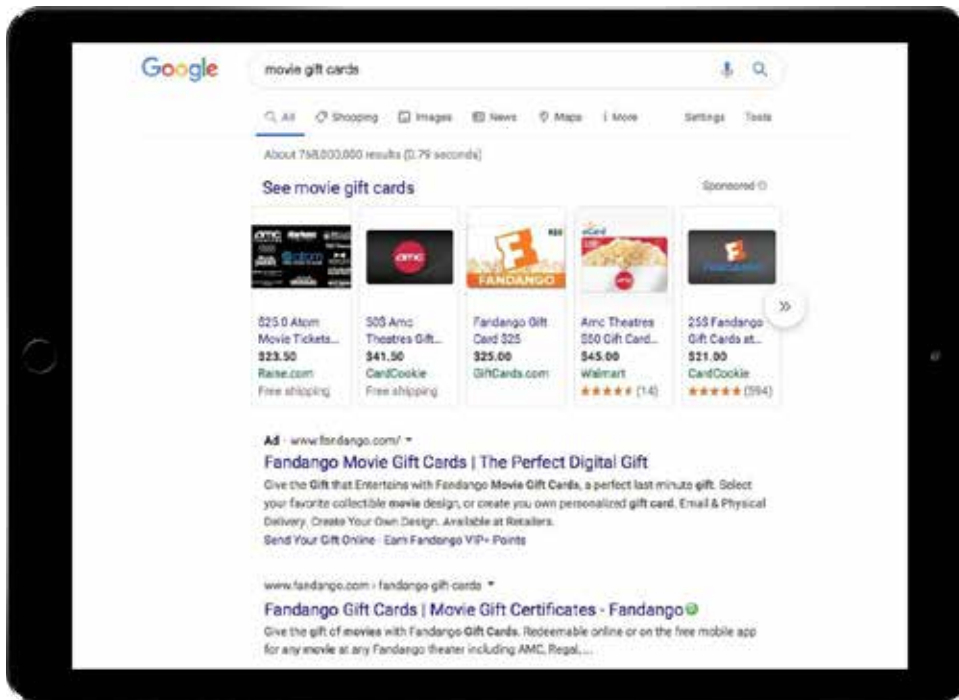
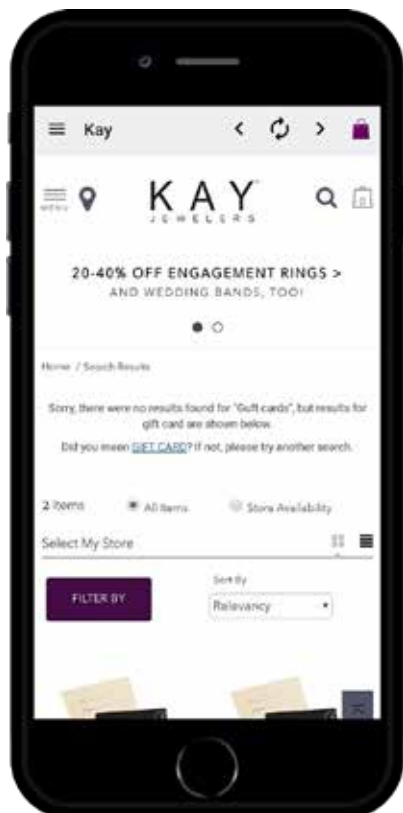


Figure 6



As you can see in Figure 5, Fandango has the top organic listing on this search engine results page for the phrase “movie gift cards.” In addition, Fandango has bolstered its SEO efforts with a paid search strategy that has it at the top of page one on Google for this valuable search term within its vertical. Studies have proven that appearing in the top position for both organic and paid search results enhances clickthrough rates, and Fandango has done just that. As a result of this strong positioning on Google, Fandango’s chances of winning that searcher’s business increase significantly. Merchants should invest in both SEO and paid search to optimize their performance in the channel.

Site search is similarly important to converting visitors into customers, regardless of the channel. The example from Kay Jewelers mobile app (Figure 6) shows how the brand proactively corrects a common spelling mistake, driving shoppers to its gift card page.

MORE PAYMENT OPTIONS = MORE GIFT CARD SALES

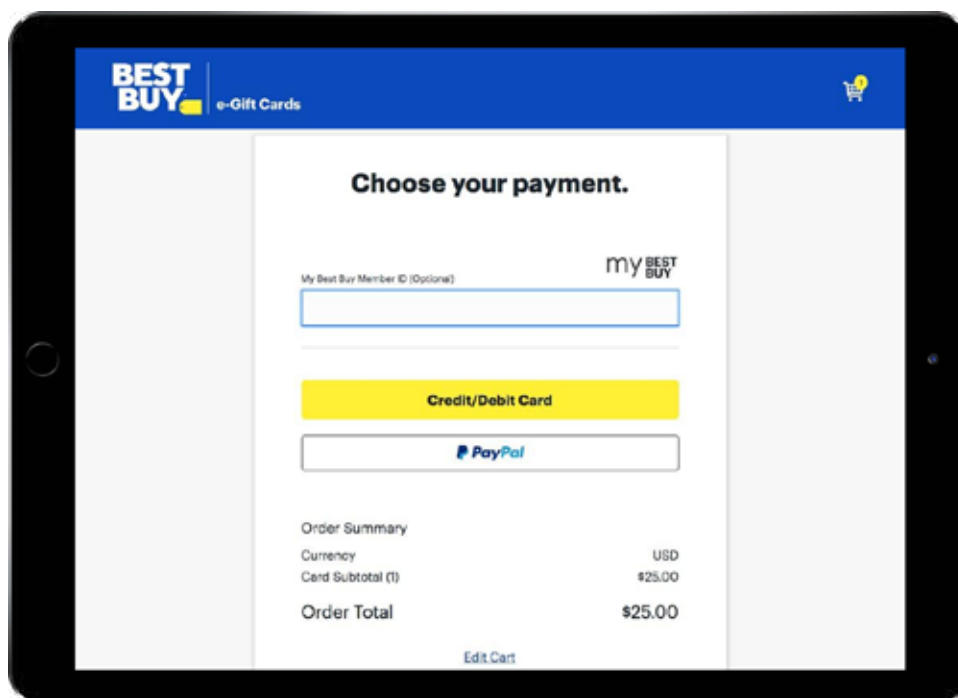
Consumers have shown that if you give them more ways to pay for an item, whether it be a gift card or some other product or service, it increases their chances of converting into a paying customer. This is particularly true for consumers on mobile devices, who are more likely to abandon their carts at the checkout page if they're forced to fill out a long form with all of their payment details (e.g., name, address, credit card number, etc.). With more consumers shopping on their phones, offering multiple payment options that speed up and simplify the checkout process (e.g., mobile wallets such as PayPal, Apple Pay, Samsung Pay) can result in increased gift card sales.

The average number of payment options for the 150 merchants evaluated was 5.76. More than one-fifth of the merchants (21 percent) offered no other payment options beyond the four standard credit cards (Visa, MasterCard, American Express, Discover). PayPal was the most widely available payment option beyond the major credit cards, with nearly half (47 percent) of all merchants offering it. Why is this important? Because merchants are missing an opportunity.

According to [Business Insider](#), the usage of mobile payments among millennials will continue to increase. It is expected to reach \$503 billion by the end of 2020. Furthermore, it's forecast that by 2025, [75 percent of all financial transactions will be cashless](#). Lastly, a report conducted by [Mobile Payment World](#) suggests that the number of mobile payment users could increase up to 150 million this year.

In this example from Best Buy's desktop website (Figure 7), the gift card buyer is given the option to pay with a debit or credit card (in addition to PayPal). Not only is the option to pay with a debit card an added convenience for the customer, but it benefits the merchant as well: the payment interchange that brands pay for a debit card transaction is 1 basis point lower than it is for credit card transactions.

Figure 7



To cater to the increasing number of consumers visiting their websites and apps from mobile devices, merchants should consider payment options designed to make the checkout process as frictionless as possible, such as Apple Pay and Samsung Pay. However, just 21 of the 150 merchants offered Apple Pay, and zero currently offer Samsung Pay. We would expect these numbers to increase in the near future.

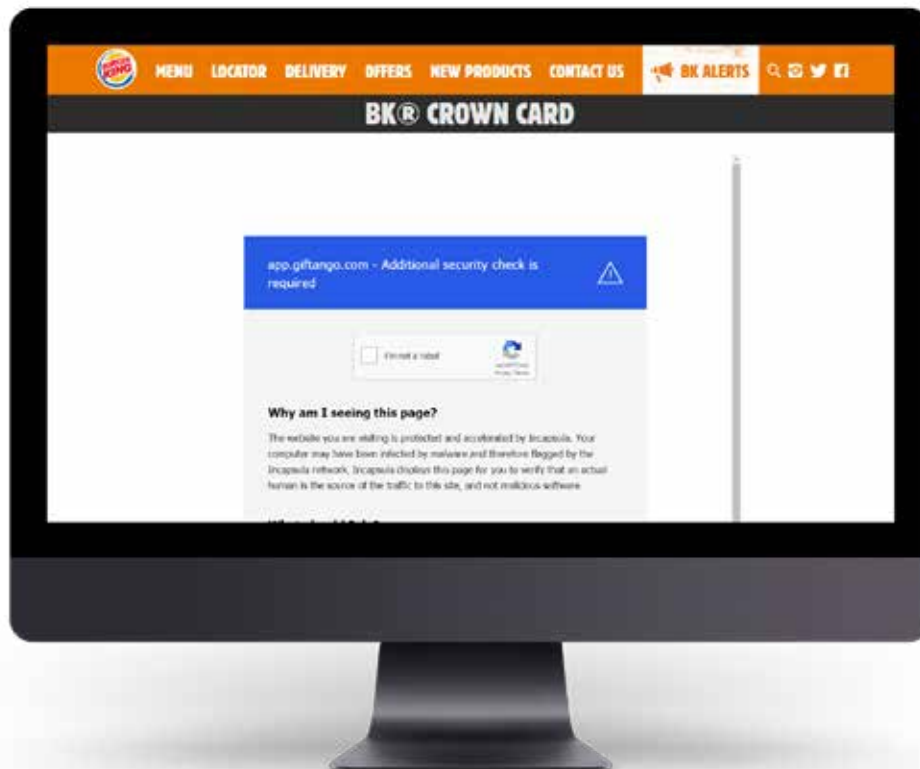
ENSURE SECURITY BEST PRACTICES TO BUILD CUSTOMER TRUST

Digital card security remains a trouble spot for too many merchants. Here's how the retailers that sold digital gift cards performed when evaluated on the security of their fulfillment process:

- 40 merchants fully secured their digital cards;
- 25 merchants provided some level of protection for their digital cards; and
- 33 merchants provided no protection because they included a PIN, redemption number, or other code in the body of the confirmation email.

Merchants should be taking the extra step to encrypt sensitive data in communications with customers. Furthermore, the gift card buying process should be secure as well. Here's a good example from Burger King (Figure 8), in which the company has a reCAPTCHA tool to ensure the customer is a human and who they say they are.

Figure 8



However, brands also want to find the appropriate balance between being vigilant about fraud and data security, while also not declining legitimate customers' gift card purchases (i.e., false positives). To help with this challenge, many merchants are opting to partner with technology providers that focus exclusively on gift cards vs. vendors who offer gift card technology as part of a broader technology platform. Such relationships enable the merchant to better manage fraud and false positives, resulting in increased gift card sales, happier customers, and less headaches for the retailer.

This is a complex area of a gift card program that merchants need to be very diligent about — ensuring no fraud while also providing a positive experience for legitimate customers. Third-party providers that focus on gift card e-commerce can help. And as new business models such as contextual commerce emerge, the need for accurate “instant approvals” will only grow in importance.

GOING BEYOND THE SALE: POST-PURCHASE EXPERIENCE REPRESENTS OPPORTUNITY FOR MERCHANTS

A key emphasis of the 2019 evaluation was assessing the full e-commerce gift card purchase experience, from product discovery through post-purchase. While retailers are improving on the front end of the process — e.g., discoverability scores are on the rise, the checkout experience received the second highest average score among all the individual criteria — they're missing an opportunity in the post-purchase experience to create long-term relationships with customers. And relationships turn into all-important loyalty — both for gift card purchasers and recipients.

Asking for feedback from gift card buyers improves customer satisfaction, builds loyalty, and may reveal areas for improvement. Yet only five merchants included a survey link in their order confirmation emails. And a better-but-still-not-good total of 16 merchants emailed separate campaigns asking gift card buyers to complete a survey, write a review, or rate their purchase experience.

The below example from J.Crew shows how the apparel brand seeks out feedback from its customers post-purchase (Figure 9). With a simple pop-up message, J.Crew invites gift card buyers to share their thoughts on the purchase experience.

Figure 9



And specific to the gift card recipient, merchants should be treating them as potential long-term customers as well. Retailers need to do a better job closing the loop on the full gift card purchase experience. Despite collecting data on the gift card purchaser and recipient (e.g., email addresses), no merchants specifically followed up with those consumers prior to the start of the holiday shopping season to see if they would be interested in purchasing a gift card. Leverage the relationships you've built to send post-purchase emails with survey links to collect customer feedback; make cross-sell and upsell offers; and ask if they have any customer service questions. This applies for the gift card buyer and recipient. Sixteen merchants did email separate campaigns asking gift card buyers to complete a survey, write a review, or rate their experience (with stars or a numerical range), so there's movement in the right direction here.

Lastly, consumers have come to expect immediate fulfillment of their online orders, driven in large part by the rise in same-day and next-day delivery from industry leaders such as Amazon. This extends to gift cards, particularly digital cards. Therefore, ensure your delivery process is optimized for speed to meet consumers need for immediate gratification. Speed of delivery during the holiday season, for example, can be the differentiating factor between making a gift card sale vs. losing that sale to a competitor.

For digital gift cards, speed of delivery also is impacted by fraud tools — i.e., if transactions have to be manually reviewed before being processed, they obviously will take longer to be delivered. This is another reason why leveraging a technology partner that can provide nearly instant delivery for a higher percentage of customers, while still protecting your brand from fraudulent shoppers, is so valuable.

A COMMITMENT TO BETTER CUSTOMER SERVICE

For the first time in this report's three-year history, we scored the merchants on their customer service efforts related to a gift card query. Specifically, we analyzed their responsiveness in two channels (email, Facebook), as well as the accuracy/thoroughness of their responses to a question related to the replenishment of a gift card via mobile. Consumers are demanding, and if they don't receive the superior service they've come to expect from merchants, they'll simply move on to another brand.

Overall, the merchants received, on average, 38 percent of the total points available to them in this category. So work in this area has to be done. However, there were three brands that went above and beyond to provide superior customer service. REI, Applebee's, and Bath & Body Works each received 112.5 percent of the total points available in this category, receiving bonus points for responding to the customer service question in less than three hours, as well as including an upsell offer in that communication (i.e., purchase another gift card).

In addition to being responsive and as thorough as possible in your brand's answers to customer service questions, it helps to be available in multiple channels so the customer can engage the way they're most comfortable. Here are two examples, one each from Dollar Shave Club (Figure 10) and Southwest Airlines (Figure 11), showing how that looks:

Figure 10

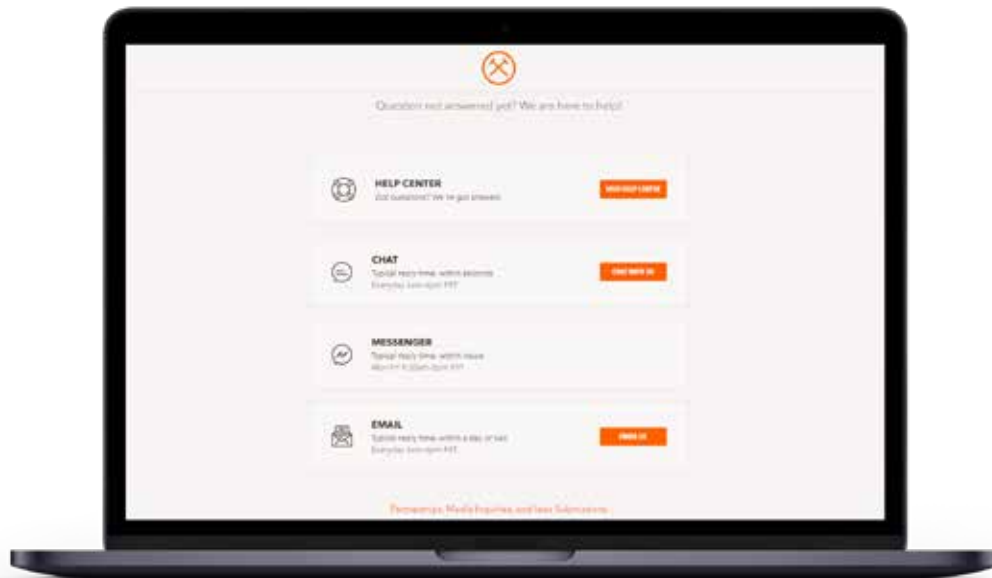
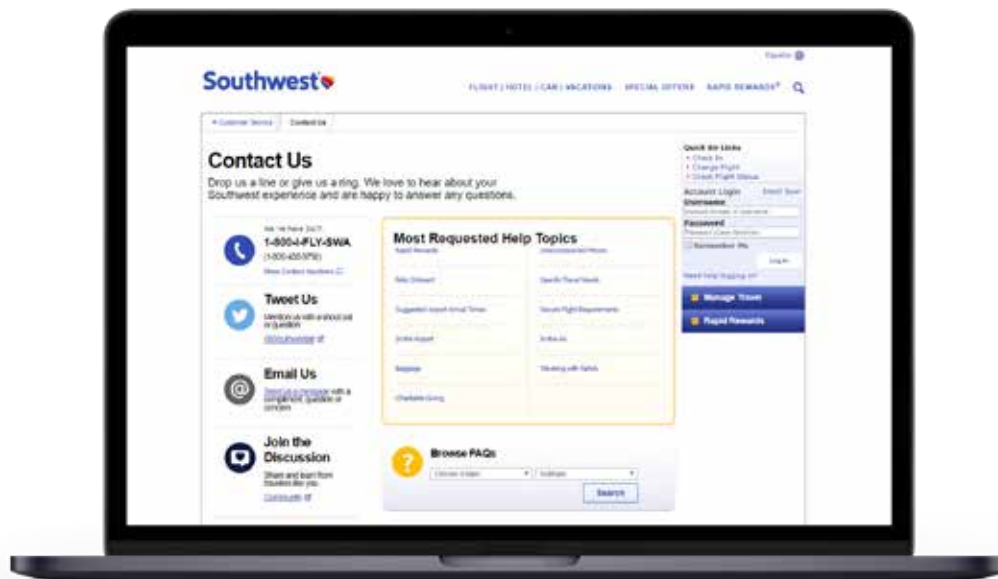


Figure 11



There were 60 brands that received no points for the customer service category. These merchants either didn't respond to the gift card customer service query in a timely fashion or, worse yet, they didn't respond at all.

In order to better compete in today's hypercompetitive retail environment, brands must make a commitment to better service for their customers, both pre- and post-purchase. One seemingly easy step brands can take is to set up automated messages for email and/or social media to let customers know they're not being ignored. It can be as easy as the following: "We received your customer service query, and will get back to you with an answer as soon as we can."

DIGITAL NATIVES PLAYING CATCH UP

A major theme in the retail industry today is the growth of digital-native, direct-to-consumer brands. These startup companies are disrupting traditional brick-and-mortar businesses in seemingly every product category you could imagine, from apparel to mattresses, to eyewear to food delivery. Does this category disruption extend to gift cards?

We identified and evaluated 27 digital-native brands to see how their gift card programs stack up against the rest of the marketplace. They included:

- Amazon
- Atom Tickets
- Blue Apron
- Blue Nile
- Dollar Shave Club
- Etsy.com
- Fabletics
- Fandango
- FreshDirect
- Groupon Goods
- GrubHub
- HelloFresh
- iTunes
- Overstock.com
- PlayStation Store
- Postmates
- Rockstar
- Shutterfly
- SiriusXM
- Steam
- Stitch Fix
- StubHub
- TaskRabbit
- Uber
- Warby Parker
- Wayfair and
- Xbox Live

Perhaps surprisingly, these digital leaders are, on average, trailing their more traditional retail counterparts when it comes to the e-commerce gift card experience. Consider that for the three primary channels we evaluated the e-commerce purchase experience — desktop, mobile web, mobile app — the digital-native brands performed worse than the study average in each one. For desktop, they received, on average, 32 percent of the total points available vs. 49 percent average for the entire list of 150 merchants; 25 percent on mobile web vs. 42 percent; and 23 percent in mobile app vs. 29 percent.

Furthermore, the digital-native brands lagged behind the study average for the primary customer journey (33 percent, on average vs. 47 percent) as well as the mobile purchase experience (19 percent vs. 33 percent). Lastly, both for physical and digital gift cards, the 27 digital-native brands received a lower score, on average, than the study's full complement of merchants. Although the gap was much closer for the digital card (42 percent of points earned, on average vs. 47 percent), as one might suspect.

Perhaps these digital-native brands have yet to fully focus on and invest in their gift card platforms, not realizing that gift cards are a uniquely different purchase experience than other products and services sold online. Many of these brands have self-built gift card platforms, and as such haven't invested in expert partners to help support them. As a result, their performance is lagging behind the other merchants evaluated in this study.

Here's an example (Figure 12) of one of those digital-native brands that failed to index its site search for the term "gift card," yielding no results when searched in its mobile app.

While traditional retailers and brands collectively brace for the next digital-native startup that will disrupt its vertical, they can take solace in the fact that — at least for now — they have a leg up when it comes to online gift card sales.

INNOVATION CAN (AND SHOULD) EXTEND TO GIFT CARDS, TOO

Consumers have come to expect differentiated shopping experiences, both online and in-store. Experience is frequently winning out over any other purchase consideration for consumers, including price. By testing new and unique ways to sell and promote gift cards, you can differentiate your company's program from its competitors.

In the 2018 Gift Card E-Commerce Evaluation Report, 17 brands received points for their innovative use of gift cards. For the 2019 evaluation, 16 brands received points for the "Innovation" category. Here are some of those merchants, as well as what they've done to merit recognition for being innovative with their gift card program:

- **Sephora:** A gift card can be saved to the beauty brand's app or Apple Wallet on an iPhone (see Figure 13).

Figure 12

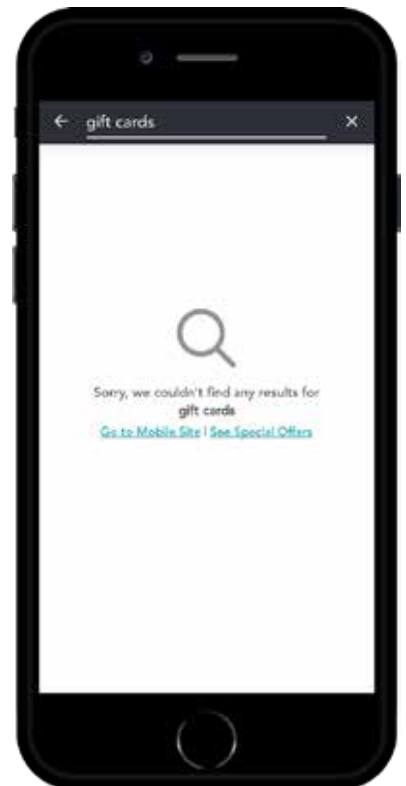


Figure 13



- **Uniqlo:** After selecting a faceplate, an animation shows a preview of the card design opening (see Figure 14).
- **Williams-Sonoma:** The kitchenware brand enables group buying of its gift card as well as Cookbook Club Gift Cards, which are able to be redeemed for any Williams-Sonoma Cookbook Club class or Williams-Sonoma merchandise.
- **Ralph Lauren:** Gift card customers are presented with the option at checkout for "eco-friendly packaging" to minimize waste while shipping physical gift cards (see Figure 15).

IV. KEY TAKEAWAYS FOR MERCHANTS

An optimized e-commerce gift card program can deliver a significant boost to a merchant's bottom line. However, it's easier said than done. Selling gift cards online is different than selling apparel or jewelry or makeup or some other product online; it requires skills and technology that aren't inherent in all merchant organizations. Therefore, the following tips are intended to help your business build up its knowledge base, with the ultimate goal of making selling gift cards online a seamless, enjoyable process for the buyer and recipient, and a profitable one for the merchant.

1. Don't forget about the customer after they purchase a gift card. Post-purchase experience is critical, and impacts a customer's overall impression of the brand and their likelihood to come back and buy again. This is true of both the gift card purchaser and the gift card recipient. There's significant value in engaging both to drive repeat purchase activity.
2. Promote your gift card program across all channels, including your app and social media platforms. And don't wait for the final two months of the year (aka the holiday shopping season) to begin promoting your gift cards. The sale of gift cards can be a year-round revenue generator. Identify the holidays and shopping events that align with your brand, and then find a way to bring gift cards into the mix.
3. Cater to mobile shoppers with frictionless payment options such as mobile wallets. The purchase experience needs to be as frictionless as possible in any channel, but particularly on mobile devices. Remember that Gen Z and millennial consumers are far more likely to make purchases on their mobile phones at least monthly

Figure 14

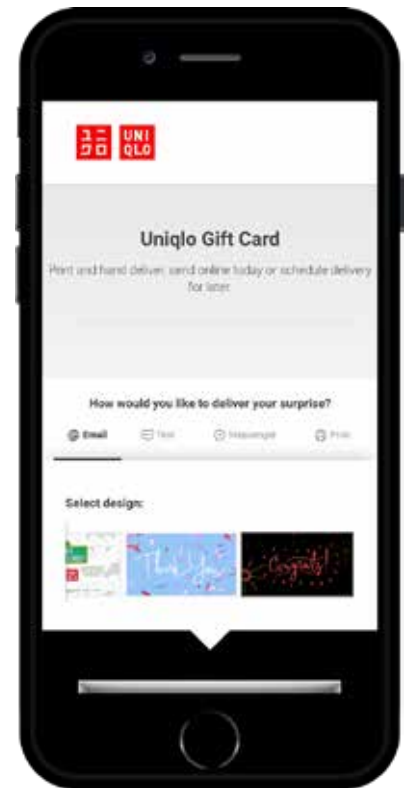


Figure 15



compared to Gen X and baby boomers. In addition, Gen Z and millennial shoppers purchase digital gift cards more frequently than their older counterparts. The importance of mobile isn't going away anytime soon.

4. Invest time and resources into organic search for your gift card program. This is a missed opportunity for too many merchants. And when consumers do make it onto your site (desktop or mobile), don't make them have to hunt for your gift cards. Discoverability is the first step to getting a shopper to purchase your gift card.

5. Extend your gift card audience for two key buyer segments: those purchasing gift cards for self-use, and shoppers with disabilities. Keep these shoppers in mind when promoting your gift card program as well as designing your sites and apps.

6. Analyze customer service response time on social media and email. Consumers are increasingly turning to these channels to pose customer service questions to retailers, and they have high expectations for both speedy response time and well-thought out answers to their questions, no matter the channel they're interacting with the brand in. Start with an automated message to alert customers that you've received their message and will be able to help them as soon as possible. Nobody wants to feel as if they're being ignored.

7. Seek out fraud protection solutions that protect your business from fraud and minimize false positives, while at the same time still providing a great customer experience and instant delivery (i.e., limited manual review of transactions).

8. Embrace innovation within your gift card program. Test new ways to improve the gift card purchasing and recipient experience, from offering personalization options (e.g., the ability to post videos or photos when sending an e-gift card) to group gifting to eco-friendly packaging design, to name just a few. In addition, make sure you're aware of the technology providers that are out there that can help you. Making intelligent build vs. buy decisions is critical to the success of your gift card program. Technology has evolved significantly in just a short period of time, so if it's been a while, talk to the providers in this space that are out there. Find the right partner, not just a vendor.

V. CONCLUSION

For the third consecutive year, Amazon took the top spot in NAPCO Research's Merchant Gift Card E-Commerce Evaluation. The online giant received 76 percent of the total available points in this thorough, cross-platform assessment of the e-commerce gift card marketplace. Amazon was joined by some familiar names at the top of the 2019 rankings, including Williams-Sonoma (No. 2) and Sephora (tied for No. 5).

Overall, even the merchants with the “best” gift card e-commerce programs have plenty of room for improvement. Consider that the overall average for the 150 brands evaluated was only 41 percent, a 3 percent decline from 2018. By our calculations, merchants are missing on more than they're getting right. With the right adjustments to their gift card programs — see the takeaway tips section above — many merchants could take the next step and compete for the top spot in the rankings. Key areas to focus on include, but are not limited to, discoverability (e.g., search, social); customer experience, particularly on mobile; data security and fraud protection; use of gift cards for promotional purposes; self-use purchasing; and innovative ways to market and sell gift cards.

The highlights for the merchants' e-commerce gift card programs in our evaluations include improved performance across several key criteria, such as self-use purchasing, and a reduction in false negatives.

As for where merchants should be directing their attention as they look to improve the performance of their gift card programs, a good place to start is promotions. Find ways to incentivize consumers to purchase gift cards, then start to build a relationship with both the gift card buyer as well as the recipient. Merchants are missing an opportunity by not re-engaging these customers in an effort to get them to come back and purchase again, whether it be a gift card or another product.

Another area of focus for merchants should be the mobile experience for gift card shoppers. We still see a significant gap for the merchants' mobile website and mobile app scores when compared to the average desktop purchase experience. What is encouraging for merchants is that this gap is closing, but more work needs to be done. The growth in mobile traffic and mobile commerce shows no signs of slowing down. To have a truly optimized e-commerce gift card program, brands must present a frictionless mobile experience, from discovery to post-purchase.

Our research showed that merchants are moving in the right direction and making progress in optimizing their e-commerce gift card programs. In today's fast-paced retail environment, merchants must be agile and able to quickly make changes to their gift card programs to keep up with the competition. Research such as this should serve as a resource to help your brand stay up-to-date on the latest trends in the gift card e-commerce landscape.

There are many opportunities for merchants to improve their gift card e-commerce offerings across channels. Start by holistically evaluating what your brand is doing well and what can be done better across all aspects of its online gift card program. Collaboration between a merchant's internal teams that influence how a gift card offering comes to market, as well as external platform providers and fulfillment partners, is undoubtedly required. The right mix of technology, expertise and a merchant's own internally driven practices is the key to success in today's gift card market.

APPENDIX A: Ranking of Retailers by Overall Score



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
1	Amazon	76%	96%	94%	66%	63%	50%	100%	0%	0%	0%
2	Williams-Sonoma	74%	100%	57%	78%	79%	50%	100%	100%	21%	100%
3	Cinemark	73%	74%	77%	78%	70%	40%	72%	100%	43%	0%
4	AMC	72%	83%	57%	89%	80%	50%	100%	0%	50%	50%
5	L.L.Bean	71%	84%	60%	97%	65%	50%	100%	0%	67%	75%
5	LVMH (Sephora)	71%	90%	69%	51%	79%	90%	100%	0%	14%	50%
7	Atom Tickets	68%	58%	59%	90%	78%	20%	100%	0%	64%	13%
7	Barnes & Noble	68%	89%	59%	91%	60%	60%	100%	0%	25%	25%
7	Bed Bath & Beyond	68%	100%	55%	68%	70%	60%	100%	0%	14%	63%
10	The Home Depot	67%	92%	47%	87%	75%	50%	100%	50%	0%	50%
11	Macy's	66%	83%	61%	79%	74%	30%	81%	0%	0%	25%
12	REI	65%	86%	56%	96%	64%	20%	0%	0%	7%	113%
13	QVC	64%	78%	65%	84%	73%	0%	0%	0%	0%	50%
13	Regal	64%	67%	51%	77%	81%	50%	100%	0%	25%	50%
13	Target	64%	97%	66%	63%	34%	50%	100%	100%	14%	0%
16	Applebee's Neighborhood Grill & Bar	63%	50%	51%	82%	76%	70%	100%	0%	43%	113%
16	Texas Roadhouse	63%	67%	59%	75%	69%	70%	75%	0%	18%	0%
18	Best Buy	62%	86%	50%	80%	51%	50%	100%	0%	25%	13%
18	Nordstrom	62%	63%	40%	81%	79%	80%	100%	100%	7%	38%
20	J.C. Penney	61%	72%	45%	80%	73%	40%	100%	0%	25%	63%
20	lululemon athletica	61%	72%	60%	74%	73%	30%	0%	0%	0%	100%
20	Pier 1	61%	96%	45%	80%	78%	20%	0%	0%	0%	75%
23	The Cheesecake Factory	60%	44%	43%	82%	76%	90%	100%	0%	61%	100%
23	Gap	60%	81%	36%	89%	66%	90%	94%	0%	0%	0%
23	Ulta Beauty	60%	89%	43%	74%	75%	40%	50%	0%	0%	25%
26	Walmart	58%	61%	59%	88%	43%	20%	100%	0%	14%	0%
27	Under Armour	57%	75%	51%	96%	49%	40%	0%	0%	0%	38%
28	Abercrombie & Fitch	56%	54%	47%	99%	70%	0%	0%	0%	0%	63%

APPENDIX A:
Ranking of Retailers by Overall Score *continued*



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
28	Delta Airlines	56%	69%	44%	68%	63%	0%	100%	0%	43%	50%
28	IHOP	56%	43%	38%	84%	73%	70%	100%	0%	57%	38%
28	Lowe's	56%	86%	65%	51%	24%	50%	100%	0%	0%	0%
28	Outback Steakhouse	56%	42%	43%	69%	61%	70%	100%	100%	61%	50%
28	Talbots	56%	77%	36%	80%	71%	40%	0%	0%	0%	75%
34	Dick's Sporting Goods	55%	69%	52%	57%	76%	0%	0%	0%	14%	13%
34	Olive Garden	55%	53%	64%	71%	25%	90%	100%	0%	25%	0%
34	Subway	55%	56%	39%	75%	70%	40%	81%	0%	43%	25%
37	Belk	54%	78%	32%	72%	71%	40%	0%	100%	25%	13%
37	Nike	54%	51%	39%	87%	66%	50%	81%	0%	7%	0%
37	Uber	54%	50%	37%	85%	65%	40%	100%	0%	7%	75%
40	Crate and Barrel	53%	72%	37%	68%	80%	50%	0%	0%	0%	13%
40	Sweetwater	53%	67%	36%	87%	71%	0%	0%	0%	14%	50%
42	Dunkin'	52%	44%	40%	57%	79%	40%	100%	25%	0%	13%
42	Sur La Table	52%	83%	38%	95%	41%	20%	0%	0%	43%	13%
44	Groupon	51%	53%	37%	69%	60%	0%	0%	0%	0%	75%
44	Petco	51%	53%	37%	81%	70%	20%	0%	0%	50%	50%
44	VF Corp./The North Face	51%	71%	35%	78%	71%	0%	0%	0%	0%	0%
44	Victoria's Secret	51%	63%	58%	96%	5%	50%	0%	0%	57%	0%
48	Foot Locker	50%	75%	34%	78%	43%	50%	44%	0%	14%	50%
48	J.Crew	50%	85%	30%	80%	54%	20%	19%	0%	0%	50%
50	Ascena Retail Group/Ann Taylor	49%	79%	35%	75%	55%	0%	0%	0%	0%	0%
50	Bath & Body Works	49%	53%	34%	82%	56%	50%	0%	0%	43%	113%
50	Office Depot, Inc.	49%	71%	41%	59%	63%	0%	0%	0%	0%	75%
53	Staples	48%	31%	43%	75%	70%	30%	0%	0%	0%	50%
53	Warby Parker	48%	58%	30%	85%	61%	0%	13%	0%	0%	88%
55	Chili's Grill & Bar	47%	58%	51%	50%	5%	90%	100%	100%	54%	0%
55	Domino's	47%	67%	56%	46%	5%	70%	100%	100%	0%	0%

APPENDIX A:
Ranking of Retailers by Overall Score *continued*



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
55	GrubHub	47%	36%	34%	75%	59%	0%	100%	0%	21%	50%
55	Guitar Center	47%	76%	41%	49%	53%	20%	0%	0%	0%	38%
55	Kay Jewelers/Signet	47%	88%	22%	78%	56%	0%	0%	0%	0%	25%
55	Marriott (US)	47%	40%	59%	75%	33%	30%	0%	0%	0%	50%
61	Cracker Barrel Old Country Store	46%	78%	55%	71%	5%	50%	6%	0%	0%	0%
61	Longhorn Steakhouse	46%	67%	57%	46%	25%	50%	0%	0%	54%	0%
61	Red Lobster	46%	64%	62%	28%	5%	70%	94%	0%	61%	0%
64	The Honest Company Inc.	45%	65%	28%	79%	56%	0%	0%	0%	0%	50%
64	IKEA Group USA	45%	39%	35%	78%	69%	0%	0%	0%	0%	13%
64	Stitch Fix	45%	67%	23%	65%	71%	20%	0%	0%	0%	75%
64	Wayfair	45%	67%	31%	76%	45%	30%	0%	0%	0%	50%
68	Bass Pro Shops	44%	81%	28%	75%	29%	20%	0%	0%	43%	0%
68	Burger King	44%	28%	31%	66%	66%	40%	100%	0%	0%	25%
68	H&M	44%	78%	63%	37%	5%	20%	0%	0%	36%	0%
68	Hudson's Bay	44%	79%	40%	43%	43%	0%	47%	0%	0%	50%
68	Hyatt Hotel (US)	44%	28%	40%	63%	75%	0%	0%	0%	0%	50%
68	Starbucks	44%	50%	27%	42%	58%	90%	125%	0%	4%	50%
74	Dairy Queen	43%	33%	33%	71%	70%	0%	0%	0%	0%	50%
74	Fairmont Hotels	43%	56%	24%	54%	61%	50%	100%	0%	4%	0%
74	PetSmart	43%	71%	60%	40%	5%	50%	0%	0%	25%	0%
74	Ralph Lauren	43%	75%	39%	65%	31%	10%	0%	0%	8%	50%
78	Air Canada	42%	50%	24%	60%	66%	0%	41%	0%	0%	50%
78	American Eagle	42%	68%	48%	54%	5%	30%	28%	0%	57%	0%
78	Chipotle Mexican Grill	42%	53%	59%	31%	10%	60%	94%	0%	0%	0%
78	Four Seasons	42%	44%	26%	68%	69%	10%	0%	0%	0%	100%
78	HSN.com	42%	76%	24%	79%	34%	0%	0%	0%	14%	50%
78	Omni Hotel	42%	33%	42%	57%	58%	0%	0%	0%	0%	88%
84	Estee Lauder	41%	77%	33%	35%	50%	0%	0%	0%	0%	100%

APPENDIX A:
Ranking of Retailers by Overall Score *continued*



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
84	Northern Tool & Equipment	41%	54%	30%	65%	39%	0%	0%	0%	67%	100%
84	Taco Bell	41%	86%	45%	25%	10%	20%	81%	0%	11%	0%
87	Fandango	40%	44%	58%	47%	5%	50%	0%	0%	64%	0%
88	Neiman Marcus	39%	67%	36%	46%	5%	30%	81%	100%	0%	0%
88	Walt Disney	39%	68%	22%	79%	16%	0%	88%	0%	0%	25%
90	Backcountry.com	38%	64%	15%	85%	40%	0%	0%	0%	0%	0%
91	Express	37%	92%	20%	49%	5%	30%	0%	100%	43%	0%
91	HP	37%	28%	22%	78%	56%	0%	0%	0%	0%	100%
93	H-E-B	36%	61%	22%	60%	38%	0%	0%	0%	0%	88%
94	Fanatics	35%	35%	28%	71%	18%	0%	88%	0%	36%	25%
95	CVS Pharmacy	34%	36%	22%	27%	51%	20%	100%	0%	0%	75%
95	Dollar Shave Club	34%	56%	28%	29%	39%	0%	0%	100%	0%	75%
95	Finish Line	34%	47%	36%	52%	19%	20%	0%	0%	0%	0%
95	Overstock.com	34%	60%	30%	72%	5%	0%	0%	0%	0%	0%
95	Papa John's	34%	31%	25%	27%	53%	50%	69%	0%	0%	100%
100	Kohl's	33%	63%	35%	28%	5%	70%	69%	0%	4%	0%
100	Uniqlo	33%	47%	30%	31%	43%	0%	0%	0%	11%	50%
100	Menards	33%	67%	30%	30%	23%	20%	0%	0%	14%	63%
100	Buffalo Wild Wings	33%	39%	43%	25%	5%	70%	100%	0%	0%	0%
104	Pizza Hut	32%	36%	35%	41%	14%	0%	81%	0%	43%	0%
104	Shutterfly	32%	75%	13%	36%	39%	40%	0%	0%	0%	38%
106	Kroger	31%	68%	29%	32%	11%	0%	44%	0%	0%	13%
106	Southwest Airlines	31%	18%	11%	56%	60%	0%	56%	0%	14%	63%
108	American Airlines	30%	18%	16%	53%	60%	20%	0%	0%	0%	0%
108	Hawaiian Airlines	30%	75%	15%	28%	34%	0%	0%	0%	0%	38%
108	Panera Bread	30%	36%	34%	21%	10%	90%	100%	0%	0%	0%
111	Apple Music/iTunes	29%	53%	22%	40%	5%	80%	88%	0%	4%	0%
111	Urban Outfitters	29%	50%	32%	50%	5%	0%	0%	0%	0%	0%

APPENDIX A:
Ranking of Retailers by Overall Score *continued*



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
113	Steam	28%	63%	13%	27%	45%	0%	0%	0%	0%	0%
113	StubHub	28%	44%	28%	38%	0%	20%	88%	0%	0%	0%
115	Blue Nile	27%	46%	19%	39%	30%	0%	0%	0%	0%	88%
115	Denny's	27%	56%	6%	23%	30%	20%	56%	0%	57%	38%
115	Oriental Trading Co.	27%	60%	16%	30%	33%	0%	0%	0%	4%	0%
115	Publix	27%	61%	22%	24%	19%	20%	0%	0%	0%	50%
115	Restoration Hardware	27%	67%	19%	35%	20%	20%	0%	0%	0%	50%
120	Adidas	26%	39%	34%	34%	5%	0%	0%	0%	0%	0%
121	Whataburger	23%	47%	9%	35%	25%	0%	0%	0%	0%	75%
122	Arby's	22%	28%	19%	26%	23%	0%	38%	0%	0%	0%
122	GameStop	22%	40%	19%	40%	5%	30%	0%	0%	0%	0%
122	Postmates	22%	39%	7%	29%	36%	0%	0%	0%	0%	75%
125	Asos	21%	67%	19%	14%	0%	0%	0%	0%	0%	0%
125	Universal Orlando	21%	39%	13%	29%	23%	0%	0%	0%	0%	50%
127	Blue Apron	20%	18%	12%	27%	26%	20%	50%	0%	0%	50%
127	Shop.com	20%	29%	12%	29%	20%	0%	0%	100%	0%	50%
129	Fabletics	19%	21%	3%	33%	39%	0%	0%	0%	0%	0%
129	Fresh Direct	19%	31%	16%	21%	20%	0%	0%	0%	0%	88%
129	Golden Corral	19%	50%	21%	13%	0%	0%	0%	0%	0%	0%
129	Hello Fresh	19%	39%	7%	23%	15%	20%	0%	100%	0%	50%
129	Piggly Wiggly	19%	40%	10%	27%	15%	0%	38%	0%	0%	0%
129	Xbox Live	19%	39%	7%	30%	20%	40%	0%	0%	0%	0%
135	Alaska Airlines	18%	24%	6%	28%	34%	0%	0%	0%	0%	0%
135	The Vitamin Shoppe	18%	38%	8%	26%	21%	0%	0%	0%	0%	88%
137	Giant Food Stores/ Ahold Delhaize	16%	25%	4%	24%	18%	0%	75%	0%	0%	38%
138	AAFES	15%	39%	13%	21%	0%	0%	0%	0%	0%	0%
138	TaskRabbit	15%	14%	4%	29%	29%	0%	0%	0%	0%	0%
138	Walgreens	15%	10%	11%	38%	15%	10%	0%	0%	0%	50%

APPENDIX A:
Ranking of Retailers by Overall Score *continued*



RANK	BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
			Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Program	B-to-B Program	Product E-Gifting	Promotions	Customer Service
141	Choice Hotels (US)	14%	17%	3%	23%	28%	0%	0%	0%	0%	75%
141	Etsy.com	14%	25%	22%	10%	0%	0%	0%	0%	0%	0%
141	Rockstar	14%	17%	10%	29%	15%	0%	0%	0%	0%	0%
144	Newegg	13%	42%	6%	5%	5%	0%	0%	0%	43%	0%
145	Best Western	12%	31%	8%	10%	5%	20%	0%	0%	7%	0%
146	Wendy's	10%	13%	9%	10%	5%	20%	38%	0%	0%	0%
147	Hilton (US)	9%	25%	8%	5%	5%	0%	0%	0%	0%	0%
147	Sirius XM	9%	31%	3%	11%	0%	0%	0%	0%	0%	0%
149	Costco	5%	26%	0%	0%	0%	0%	0%	0%	0%	0%
149	PlayStation Store	5%	8%	4%	0%	0%	0%	0%	0%	0%	0%

The scoring for each category was weighted differently. This weighted scoring system is reflected in the merchant's overall score.

APPENDIX B: Brand Scores by Vertical



BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
		Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Programs	B-to-B Program	Product E-gifting	Promotions	Customer Service
AIRLINES										
Delta Airlines	56%	69%	44%	68%	63%	0%	100%	0%	43%	50%
Air Canada	42%	50%	24%	60%	66%	0%	41%	0%	0%	50%
Southwest Airlines	31%	18%	11%	56%	60%	0%	56%	0%	14%	63%
APPAREL										
Gap	60%	81%	36%	89%	66%	90%	94%	0%	0%	0%
Abercrombie & Fitch	56%	54%	47%	99%	70%	0%	0%	0%	0%	63%
Talbots	56%	77%	36%	80%	71%	40%	0%	0%	0%	75%
DEPARTMENT STORE										
Macy's	66%	83%	61%	79%	74%	30%	81%	0%	0%	25%
Nordstrom	62%	63%	40%	81%	79%	80%	100%	100%	7%	38%
J.C. Penney	61%	72%	45%	80%	73%	40%	100%	0%	25%	63%
DIGITAL SERVICES										
Uber	54%	50%	37%	85%	65%	40%	100%	0%	7%	75%
GrubHub	47%	36%	34%	75%	59%	0%	100%	0%	21%	50%
Postmates	22%	39%	7%	29%	36%	0%	0%	0%	0%	75%
ELECTRONICS										
Best Buy	62%	86%	50%	80%	51%	50%	100%	0%	25%	13%
HP	37%	28%	22%	78%	56%	0%	0%	0%	0%	100%
Newegg	13%	42%	6%	5%	5%	0%	0%	0%	43%	0%
ENTERTAINMENT										
Cinemark	73%	74%	77%	78%	70%	40%	72%	100%	43%	0%
AMC	72%	83%	57%	89%	80%	50%	100%	0%	50%	50%
Atom Tickets	68%	58%	59%	90%	78%	20%	100%	0%	64%	13%
GAMING										
Steam	28%	63%	13%	27%	45%	0%	0%	0%	0%	0%
GameStop	22%	40%	19%	40%	5%	30%	0%	0%	0%	0%
Xbox Live	19%	39%	7%	30%	20%	40%	0%	0%	0%	0%

APPENDIX B: Brand Scores by Vertical *continued*



BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
		Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Programs	B-to-B Program	Product E-gifting	Promotions	Customer Service
GENERAL MERCH										
Amazon	76%	96%	94%	66%	63%	50%	100%	0%	0%	0%
QVC	64%	78%	65%	84%	73%	0%	0%	0%	0%	50%
Target	64%	97%	66%	63%	34%	50%	100%	100%	14%	0%
GROCERY/PHARMACY										
H-E-B	36%	61%	22%	60%	38%	0%	0%	0%	0%	88%
CVS Pharmacy	34%	36%	22%	27%	51%	20%	100%	0%	0%	75%
Kroger	31%	68%	29%	32%	11%	0%	44%	0%	0%	13%
HEALTH & BEAUTY										
LVMH (Sephora)	71%	90%	69%	51%	79%	90%	100%	0%	14%	50%
Ulta Beauty	60%	89%	43%	74%	75%	40%	50%	0%	0%	25%
The Honest Company Inc.	45%	65%	28%	79%	56%	0%	0%	0%	0%	50%
HOME FURNISHINGS										
Williams-Sonoma	74%	100%	57%	78%	79%	50%	100%	100%	21%	100%
Bed Bath & Beyond	68%	100%	55%	68%	70%	60%	100%	0%	14%	63%
Pier 1	61%	96%	45%	80%	78%	20%	0%	0%	0%	75%
HOME IMPROVEMENT										
The Home Depot	67%	92%	47%	87%	75%	50%	100%	50%	0%	50%
Lowe's	56%	86%	65%	51%	24%	50%	100%	0%	0%	0%
Northern Tool & Equipment	41%	54%	30%	65%	39%	0%	0%	0%	67%	100%
HOTELS										
Marriott (US)	47%	40%	59%	75%	33%	30%	0%	0%	0%	50%
Hyatt Hotel (US)	44%	28%	40%	63%	75%	0%	0%	0%	0%	50%
Fairmont Hotels	43%	56%	24%	54%	61%	50%	100%	0%	4%	0%
RESTAURANT - CASUAL										
Applebee's Neighborhood Grill & Bar	63%	50%	51%	82%	76%	70%	100%	0%	43%	113%
Texas Roadhouse	63%	67%	59%	75%	69%	70%	75%	0%	18%	0%
The Cheesecake Factory	60%	44%	43%	82%	76%	90%	100%	0%	61%	100%

APPENDIX B: Brand Scores by Vertical *continued*



BRAND	SCORE	MAJOR CATEGORY				ADDITIONAL CRITERIA CATEGORIES				
		Discoverability	Offering Flexibility	Checkout / Post-Purchase	Recipient Experience	Credit Card Rewards Programs	B-to-B Program	Product E-gifting	Promotions	Customer Service
RESTAURANT - QUICK SERVE										
Subway	55%	56%	39%	75%	70%	40%	81%	0%	43%	25%
Dunkin'	52%	44%	40%	57%	79%	40%	100%	25%	0%	13%
Domino's	47%	67%	56%	46%	5%	70%	100%	100%	0%	0%
SPECIALTY										
Barnes & Noble	68%	89%	59%	91%	60%	60%	100%	0%	25%	25%
Sweetwater	53%	67%	36%	87%	71%	0%	0%	0%	14%	50%
Petco	51%	53%	37%	81%	70%	20%	0%	0%	50%	50%
SPORTING										
L.L.Bean	71%	84%	60%	97%	65%	50%	100%	0%	67%	75%
REI	65%	86%	56%	96%	64%	20%	0%	0%	7%	113%
lululemon athletica	61%	72%	60%	74%	73%	30%	0%	0%	0%	100%

APPENDIX C: Methodology Addendum

At the beginning of the report, we detailed the evaluation process used to develop this benchmark data. The overall research and buying process for both physical and digital gift cards on desktop, mobile web and mobile apps was explained. Below we provide further detail on the additional areas we evaluated, including how maximum scores differed for retailers with and without commerce-oriented mobile apps.

• MERCHANT LIST

The one constant in the retail world is change. Brands rise and fall, a process sped up by the disruption of e-commerce. This dynamic is reflected in the list of verticals and retailers that made our cut for the 2019 evaluation.

Merchants were selected by NAPCO Research from a variety of sources, including the Forbes 2000, Internet Retailer, and Nation's Restaurant News Top 100.

New to the 2019 evaluation, we increased the number of retailers from 100 to 150, increasing the scope of our analysis by 50 percent. We added two new, fast-growing vertical categories to this year's study, gaming and digital services.

• **CRITERIA DETAILS**

108 Evaluation Criteria, 210 Max Points (170- w/out App)

<p>DISCOVERABILITY/AWARENESS 36 POINTS (24 POINTS W/OUT APP)</p> <ul style="list-style-type: none"> • Findability – homepage/menu • Findability – search • Landing page info/aesthetics • Availability of digital and physical cards 	<p>CHECKOUT / POST PURCHASE 34 POINTS (30 W/OUT APP)</p> <ul style="list-style-type: none"> • Integrated cart • Loyalty program support • Payment options • Checkout and order completion • Post-purchase communication 	<p>B-TO-B PROGRAM 8 POINTS</p> <ul style="list-style-type: none"> • B-to-B program findability/details • B-to-B program registration • B-to-B available card types <p>CREDIT CARD REWARDS 5 POINTS</p> <p>Card availability in top credit card loyalty programs</p>
<p>GIFT CARD OFFERING FLEXIBILITY 73 POINTS (50 W/OUT APP)</p> <ul style="list-style-type: none"> • Faceplate options • Personal message • Advanced personalization • Denominations • Delivery time • Self purchase flow (desktop only) • Physical card form factors / packaging options • Upsell 	<p>RECIPIENT EXPERIENCE 40 POINTS</p> <ul style="list-style-type: none"> • Delivery • Brand experience • Redemption options • Mobile friendly (digital) • Security (digital) • Balance check • Reload • Regift 	<p>PROMOTIONS 7 POINTS (6 W/OUT APP)</p> <p>Promotions leveraging gift cards (retailer website, email, social media & Google search results)*</p> <p>PRODUCT E-GIFTING 4 POINTS</p> <p>Brand offers Product e-Gifting</p> <p>NEW: CUSTOMER SERVICE 2 POINTS</p> <ul style="list-style-type: none"> • Email (responsiveness & accuracy) • Social Media** (responsiveness & accuracy) <p>INNOVATION 1 POINT</p> <p>Innovative concepts</p>

*promotions data collected 3 times, August, mid-October and November (Black Friday)

**reached out with Merchants via Facebook for customer service scoring

• **CRITERIA WEIGHTING**

Varying number of points per criteria based on importance (ranging from 1 point to 6 points)

• **NEW CRITERIA**

Last year's study used an impressive set of standards to evaluate the buying process. In 2019, we added new criteria to even more fully document the shopping experience.

We examined the shopper experience in seeking multichannel assistance from the retailer. For example, we assessed the customer service experience via email and social media, assessing merchants both on the speed and quality of response to queries related to the digital gift card purchase process.

We rated customer service responses and response times, looking at email and Facebook engagement. For a total possible score of two points, our researcher rated the speed of responsiveness and the accuracy of the response received.

ADDITIONAL CRITERIA DETAILS

SELF-PURCHASE

We also looked at the quality of the experience retailers create for consumers buying a gift card for themselves. Scoring on a range of zero to two points was based on how companies make the buying process easier to complete for a self-purchase, such as eliminating steps or fields normally needed when purchasing a gift card for others.

MOBILE APPS

Retailers with commerce-oriented mobile apps were evaluated with a different maximum score than those without mobile apps. Criteria that applied to mobile apps weren't assessed for those without one, and merchants without mobile apps weren't penalized. In the final calculation, merchants with mobile apps were assessed against a maximum score of 210 points; those without a mobile app were assessed against a maximum score of 170.

INNOVATION

Merchants received a bonus for innovative initiatives in the purchase, delivery or fulfillment of gift cards at the discretion of the researcher.

PURCHASE GIFT CARDS WITH CREDIT CARD POINTS

Merchants received points for enabling customers to exchange credit card loyalty points for gift cards. The top five credit card loyalty programs evaluated were American Express, Discover, Citibank, Chase, and Capital One.

PROMOTIONS

Merchants were evaluated based on their gift card promotional activity and awareness of that promotion (website, email, social media, Google search). Data was collected three times in 2019, late-August, mid-October, and Black Friday weekend.

B-TO-B

Merchants were evaluated based on whether they had a B-to-B gift card program (i.e., sell gift cards in bulk to corporate clients). Points were awarded based on the ease of finding the program on the merchant's website, ease of signing up, and whether the program was available for both digital and physical cards.

WHO WE ARE



NAPCO Research crafts custom data-centric solutions that leverage our highly engaged audiences across the markets in which we operate, our industry subject matter experts and in-house research expertise. We partner with our clients to identify their unique business problem and create solutions that enable deeply informed decision-making.

NAPCO Research can help with:

- Business goal prioritization
- Opportunity discovery
- Market segmentation
- Landscape insight
- User needs and wants
- Product features and functionality
- Content marketing strategy
- Sales strategy and tactics
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WHO WE ARE



About Blackhawk Network

Blackhawk Network delivers branded payment solutions through the prepaid products, technologies and network that connect brands and people. We collaborate with our partners to innovate, translating market trends in branded payments to increase reach, loyalty and revenue. Serving 28 countries, we reliably execute security-minded solutions worldwide. Join us as we shape the future of global branded payments.

